

## Answers to Inquiries

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be well offset by increased domestic sales. The company should benefit directly and indirectly from the stimulus imparted to business in general by the rearmament program. Finances have been maintained in a consistently strong position and the balance sheet as of June 30, 1940, disclosed cash of \$11,002,789 well in excess of total current liabilities of \$3,036,191. The current ratio was about 6.4 to 1. Capitalization is simple, consisting entirely of 1,955,648 shares of capital stock outstanding. The company has a good dividend record, disbursements having been made in varying amounts in line with earnings in every year since 1906 with the single exception of 1933. 1940 disbursements will doubtless equal the \$2 per share paid in 1939. At present levels, the issue returns a reasonable yield and the outlook indicates some further improvement in earnings. Accordingly, we suggest retention of your holdings for the income which they afford as well as for their appreciation possibilities.

### U. S. Hoffman Machinery Corp.

*You were kind enough to give me some market information last December which has served me in good stead. Now I will be grateful for your advice on the outlook for U. S. Hoffman Machinery. My investment in this company amounts to 175 shares at 6½. It has come up 2 points from its low, and cannot make up my mind to hold or sell and take a small loss. Are costs now more in line with sales? Do you anticipate further earnings gains?—R. P. B., Syracuse, N. Y.*

U. S. Hoffman Machinery manufactures equipment for the laundry, dry-cleaning and pressing, hat-blocking and garment trades, being one of the more important companies in this field, and in addition manufactures centrifugal blowers, exhausters and industrial vacuum cleaning systems. The concern's sales are influenced indirectly by changing levels of public purchasing power which affects demand by laundry and dry-cleaning establishments for this company's products. In addition, most customers of the concern are of the marginal type

and not good risks, collections thus having an important effect on earnings. Profit margins are usually narrow due to keen competition and high credit risks but are believed to have improved recently as the result of generally better business and employment conditions. Profits in the first half of the current year were equal to 60 cents per share as against only 2 cents per share in the first half of 1939. It is expected that earnings will continue this improvement over coming months and full year results should be measurably ahead of the deficit of 11 cents per share reported for last year. Finances continue to be satisfactory,

the balance sheet as of June 30, 1940, disclosing current assets of \$6,830,606 as against current liabilities of \$2,533,791. The capital set-up of the company consists of 25,529 shares of 5½% cumulative convertible preferred and 219,016 shares of common stock. While there is no definite information available as to the possibility of orders of an armament nature, the company will doubtless benefit indirectly from the stimulus imparted to general business as a result of the arms program. Early resumption of dividends is not, however, expected. As a low-priced speculation, the shares have a degree of appeal at

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this time and retention of moderate commitments for the time being is warranted.

### Western Maryland Railway Co.

Where do you believe Western Maryland ought to begin to move marketwise? I have had this stock some time and know that it is one of the leading carriers of soft coal, iron and steel products, yet I continue to hold my 300 shares at a considerable loss. Is it likely that earnings will continue to increase at the rate reported at the end of July? Please air-mail your advice—F. P. D., Seattle, Wash.

To a large extent, operations of Western Maryland are dependent on rates of activity in the steel industry since about 60% of its freight tonnage is accounted for by movements of bituminous coal, with iron and steel, petroleum, ore and cement accounting for a large part of the balance. Through its own lines, as well as connections with other roads, the company operates in a highly industrialized territory touching such centers as the West Virginia coal fields, the Pittsburgh steel center and the Great Lakes region. Earnings for the seven months ended July 31, 1940, were equal to 21 cents per share on the common stock, which, while relatively low, compares favorably with the deficit of \$1.38 per share reported for the corresponding period of the year before. With all indications pointing toward a high level of industrial activity in the territory served, earnings during the balance of the current year are likely to continue to show satisfactory comparisons with year earlier figures. Finances continue to be satisfactory, current assets on June 30, 1940, totaling \$5,604,463, including cash of \$3,049,189, as against total current liabilities of \$2,755,751. Capitalization consists of funded debt outstanding in the amount of \$64,919,866, followed by 177,420 shares of \$7 cumulative first preferred, 61,382 shares of \$4 non-cumulative 2nd preferred and 532,869 shares of common stock. While earnings are expected to show further gains over coming months, arrears on the first preferred prohibit any payments on the common stock over the intermediate future. However, at current depressed levels, the common has a degree of speculative appeal and retention on that basis of moderate commitments is warranted for the time being.

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